

OFFICIAL TITLE AND SUMMARY ★ ★ ★

Prepared by the Attorney General

**TAX ON CIGARETTES.
INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.**

- Imposes additional 13 cent tax on each cigarette distributed (\$2.60 per pack), and indirectly increases tax on other tobacco products.
- Provides funding to qualified hospitals for emergency services, nursing education and health insurance to eligible children.
- Revenue also allocated to specified purposes including tobacco-use-prevention programs, enforcement of tobacco-related laws, and research, prevention, treatment of various conditions including cancers (breast, cervical, prostate, colorectal), heart disease, stroke, asthma and obesity.
- Exempts recipient hospitals from antitrust laws in certain circumstances.
- Revenue excluded from appropriation limits and minimum education funding (Proposition 98) calculations.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Increase in new state tobacco excise tax revenues of about \$2.1 billion annually by 2007–08, declining slightly annually thereafter. Those revenues would be spent for various health programs, children's health coverage, and tobacco-related programs.
- Unknown net state costs potentially exceeding \$100 million annually after a few years due to provisions simplifying state health program enrollment rules and creating a new pilot program for children's health coverage.
- Unknown, but potentially significant, savings to the state Medi-Cal Program and counties from a shift of children from other health care coverage to the Healthy Families Program (HFP); potential state costs that could be significant in the long term for ongoing support of expanded HFP enrollment.
- Unknown, but potentially significant, savings in state and local government public health care costs over time due to various factors, including an expected reduction in consumption of tobacco products.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND**Tobacco Taxes**

Current state law imposes certain taxes directly on cigarettes and other tobacco products that are known as excise taxes. Excise taxes are taxes collected on selected goods or services. Currently, the excise taxes total 87 cents per pack of cigarettes (with a similar tax on other types of tobacco products). The total tax of 87 cents per pack consists of:

- 50 cents to support early childhood development programs, enacted by the voters as Proposition 10 in 1998.
- 25 cents to support tobacco education and prevention efforts, tobacco-related disease research programs, health care services for low-income uninsured persons, and environmental protection and recreational programs, enacted by the voters as Proposition 99 in 1988.
- 10 cents for the state General Fund.
- 2 cents to support research related to breast cancer and breast cancer screening programs for uninsured women.

Current taxes on cigarettes and other tobacco products are estimated to raise about \$1.1 billion in 2006–07.